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TRADE AND DEVELOPMENT BOARD
Committee on Commodities
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Second Sessional Sub-Committee
Geneva, 9 May 1967
Agenda Item 5

PROGRAMME FOR THE LIBERALIZATION AND EXPANSION OF TRADE IN COMMODITIES OF INTEREST TO DEVELOPING COUNTRIES

Draft report of the Second Sessional Sub-Committee

The Sub-Committee, established by the Committee at its 24th meeting to consider and report on item 5 of its agenda, held .... meetings from 12 to .... May 1967. At its first meeting it elected Mr. H. Brillantes (Philippines) as its Chairman and Mr. F. Ponti (Italy) as its Vice-Chairman and Rapporteur. At its .... meeting on .... May, the Sub-Committee considered and adopted the report on its discussions on item 5 which is reproduced below and which is submitted to the Committee.

1. The Sub-Committee had before it four main documents: Programme for the liberalization and expansion of trade in commodities of interest to developing countries (TD/B/C.1/32); Promotion of trade in primary commodities (TD/B/C.1/34); Promotional measures - outline of FAO programmes (TD/B/C.1/33), and Examination of measures for the expansion of commodity trade among developing countries (TD/B/C.1/27 and Corr. 1).

2. In introducing document TD/B/C.1/32, the representative of the Secretary-General of UNCTAD stated that the secretariat had taken the view that the wording of the relevant agenda item called for proposals for action. Accordingly, in the document the secretariat had tentatively suggested for discussion a possible approach to the problem of improving access to commodity markets. For this purpose, a distinction was drawn between, on the one hand, protected commodities (such as sugar, meats, cereals, fats and oils, citrus fruits, tobacco), and, on the other hand, commodities which were not protected but were subject to revenue charges (such as beverage crops and spices).

3. In respect of commodities of which domestic production in developed importing areas was sheltered, the basic approach suggested by the Secretariat was one under which importing developed countries would undertake to import specified percentages of their total consumption, the ratio varying from one commodity to another and from one importing country to another. Regarding commodities which were not protected but which were subject to revenue charges, it was suggested in the document that, as an alternative to the removal of revenue charges, developed importing countries might consider acceptance of the principle of refunding to developing countries (or to external suppliers generally) such amounts as would represent the estimated damage done to the trade of the supplying countries by the revenue charges in question.

4. Many representatives who participated in the discussion stressed the need for further action, wherever possible, to reduce and to eliminate tariff and non-tariff barriers to trade in primary commodities of interest to developing countries, especially in view of the heavy dependence of the developing countries on exports of primary commodities for their foreign exchange earnings. The important contribution which such measures could make to meeting the trade needs of developing countries was widely acknowledged.

5. It was also generally recognized that the reduction of trade barriers alone might be inadequate to solve the foreign exchange problems facing developing countries. Consequently it was considered that the reduction of trade barriers should be taken in conjunction where appropriate, with other measures, such as commodity agreements,

buffer stock schemes, the negotiation of realistic export quotas, the establishment of adequate floor and ceiling prices for the commodities in question, and other concerted measures designed to promote the economic growth of the developing countries.

6. Representatives of some developed countries expressed the view that any attempt to prescribe overall principles for trade liberalization and the broadening of markets would be of limited use. On the other hand, representatives of developing countries felt that the formulation and acceptance of such principles would prove valuable, provided the peculiarities of each commodity market were taken into account. The view was also expressed that trade liberalization should be effected by stages. One delegation suggested that a time-table for trade liberalization might be negotiated at the second conference in the light of UNCTAD recommendation A.II.1.

7. In stressing the need for agreement on programmes of immediate operational value, representatives of developing countries expressed serious concern at the failure of many countries to implement the recommendations of the first Conference. Whilst acknowledging some positive liberalization measures taken by a few developed countries, they considered that these were very limited in scope. In this connexion, several representatives referred to the GATT Ministerial meeting of May 1963 and deplored the lack of progress in giving effect to the conclusions and resolutions then adopted relating to the standstill provision, the elimination of quantitative restrictions, the duty free entry for tropical products by the end of 1963, the reduction and elimination of tariffs on primary commodities and processed products originating in developing countries and the progressive reduction of internal fiscal charges and revenue duties on products mainly produced in developing countries. The delegation of one country, member of the European Economic Community, recalled that EEC Ministers had entered a reservation regarding the GATT Programme of Action.

8. Representatives of several developing countries also expressed their concern about the repercussions on their exports of regional integration schemes adopted by developed market economies, particularly in the field of agriculture. Some of the latter countries drew attention to the substantial increases in their imports of primary commodities from developing countries in recent years.

9. The representatives of several developing countries also suggested that the Kennedy Round of trade negotiations had resolved itself primarily into an exchange of concessions among the industrialized countries. Though the Kennedy Round had had as one of its major objectives the removal of barriers to the trade of developing countries, they felt that their interests had been taken only marginally into account.

10. Attention was also drawn by representatives of some developing countries to "concealed" trade barriers: phyto-sanitary measures, and changing commodity specifications were mentioned in this connexion. In addition, representatives of developing countries deplored the practice of tariff escalation whereby commodities which had undergone even relatively insignificant forms of processing or mere packaging were heavily taxed when imported by some industrialized countries. The protective effect of such duties, it was pointed out, could become prohibitive in relation to the value added by the processing industries. With regard to existing preferential arrangements between certain developed and developing countries, the representatives of developing countries agreed on the general principle of a non-discriminatory preferential system for manufactures and semi-manufactured products, as advocated in recommendation A.I.1. They stated that, whilst existing preferences, in particular for commodities, could be explained on historical grounds, their elimination would call for the provision of equivalent advantages to the present beneficiaries. The delegation of one developing country also stressed that the reciprocal preferences granted by certain developing countries to imports from developed countries should also be eliminated in order to facilitate the expansion and diversification of trade of developing countries.

11. Commenting on the question of what substantive measures should be adopted with regard to commodities protected in developed countries and exported by developing countries, representatives of several developing countries stressed the need to negotiate specific access commitments. Such access commitments, in the view of representatives of several developed market economies might possibly be envisaged within the context of specific commodity agreements. Representatives of several developing countries favoured the acceptance of the general principles of market access, the consolidiation of self-sufficiency ratios, standstill on margins of support, and purchase commitments. Since the problem was essentially how to reconcile legitimate interests of domestic primary producers with the equally legitimate aspirations of external suppliers, and since governments would not be likely to abandon support measures to their farmers, these representatives considered that the solution had to be found in measures relating to the limitation of the degree of protection rather than the complete abolition of protective systems.

12. Representatives of some developed countries stated that the negotiation of such commitments would involve difficulties. In their view, such commitments could best be reached within the framework of specific commodity arrangements. By way of illustration, it was suggested by one delegation that a commodity agreement on sugar might contain provisions relating to (i) the nature of the access commitments to be given by importing countries; (ii) the application of floor and ceiling prices; (iii) the establishment of export quotas for individual producing countries consistent with prospective market requirements; and (iv) provisions to take into account the special needs of developing countries.

13. It was stressed by representatives of some developing countries that, by reserving for imports from developing countries assured shares of domestic consumption, preferably at higher levels than at present, and by granting for such imports increased shares in the prospective growth of consumption, developed market economy countries would facilitate the planning of economic development in the less developed parts of the world. It was also pointed out that socialist countries of Eastern Europe could ensure greater access to their rapidly growing markets by granting corresponding undertakings regarding access, and by making provision for increased imports in their national economic plans and for multilateral and bilateral consultations with developing countries on this matter.

14. Whilst representatives of developed countries appreciated the importance which developing countries attached to assurances regarding market access they emphasized that the offering of such assurances was fraught with many difficulties. Representatives of several delegations stated that, particularly as regards agricultural products, changes in domestic support measures and external protection should aim at improving the present situation rather than at a sweeping programme of abolition of support measures. It was further stated that a shift away from price supports to a more selective income support policy would not necessarily lead to a reduction in output, particularly where price support systems were operated in conjunction with production and acreage controls.

15. Turning to the question of what substantive measures the Committee should propose with regard to commodities that were subject to revenue charges, the representatives of the developing countries endorsed the suggestion made in document TD/B/C.1/32 that, as an alternative to the removal of revenue charges,

developed importing countries might refund to developing countries that part of the proceeds which equalled the latter's estimated trade loss resulting from the imposition of revenue duties and fiscal charges. The representatives of several developed market economies doubted whether the partial refund proposal as suggested by the secretariat, would be found politically practicable, and they referred also to the difficulty of measuring the refundable trade loss.

16. Representatives of developing countries proposed that some kind of standing inter-governmental consultative machinery to deal with the liberalization of trade in primary commodities should be established within UNCTAD in order to help translate the widespread wish for progress in this matter into practical measures. In making the proposal, various representatives of developing countries referred to considerations such as the need for dealing intensively with such a complex question at a detailed practical level, on a commodity-by-commodity and/or country-by-country basis where appropriate. Reference was also made to the appropriateness of the UNCTAD framework for this purpose because of its broad membership, its special interest in the trade needs of developing countries and its experience in the related field of commodity arrangements.

17. The representatives of developed market economy countries doubted that such additional machinery was warranted. In the view of most of those representatives, the Committee on Trade and Development of GATT and the UNCTAD Committee on Commodities already provided adequate machinery for this purpose and because various study groups and commodity councils dealt with individual commodities. Those representatives considered that, although the results achieved by these bodies might be disappointing, the reason had not been lack of adequate consultative machinery.